

THE DEPARTMENT OF TRANSPORTATION

An Agency Profile Prepared by the
Legislative Fiscal Division

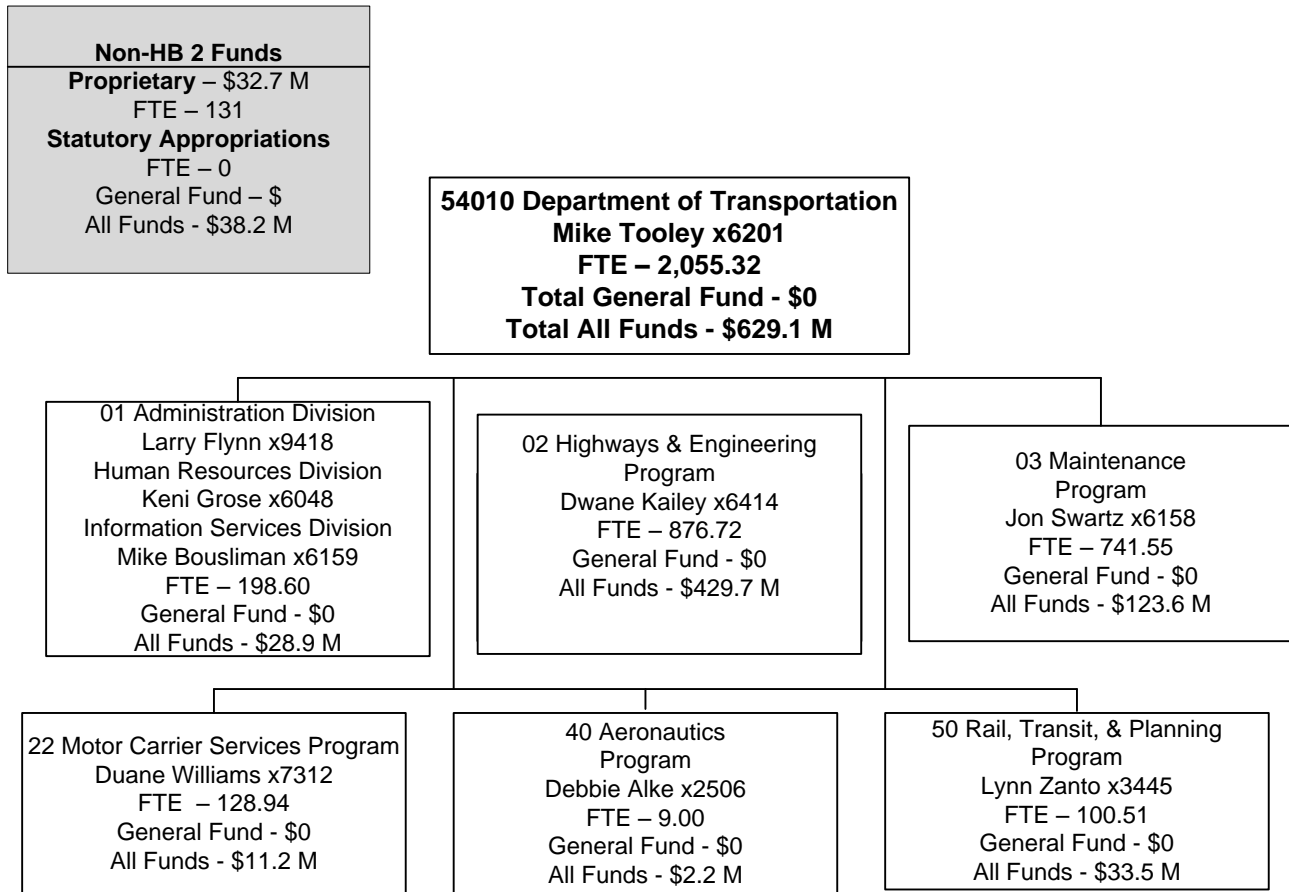
November, 2016



INTRODUCTION

The Montana Department of Transportation (MDT) mission is to serve the public by providing a transportation system and services that emphasize quality, safety, cost effectiveness, economic vitality, and sensitivity to the environment. The primary statutory references include - Article VIII, Section 6, Montana Constitution, 2-15-2505, 15-70, Titles 60, 61, and 67, MCA.

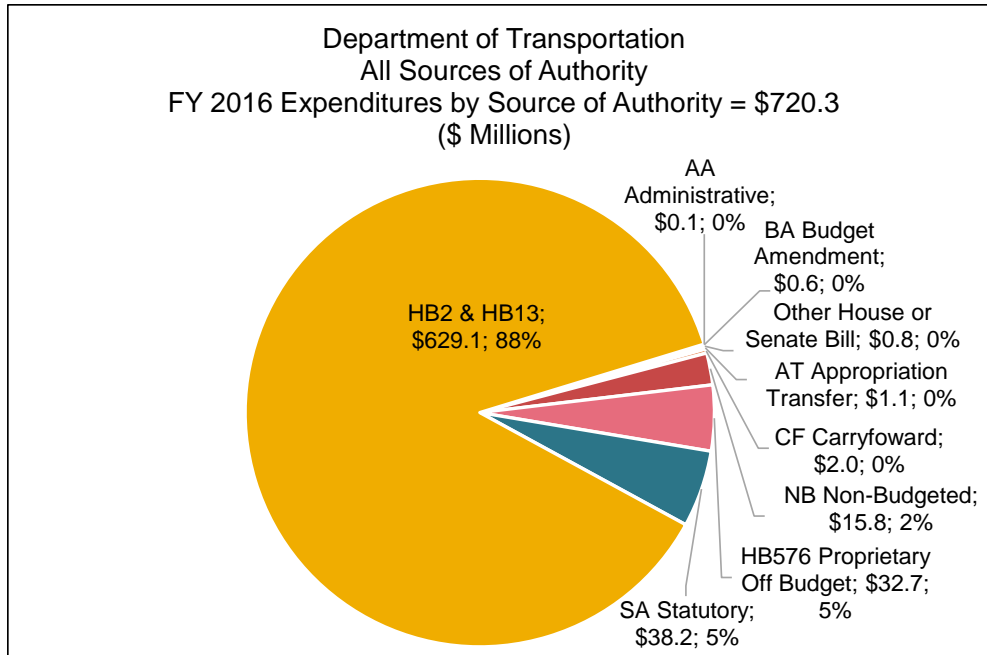
Below is an organizational chart of MDT, including full-time employee (FTE) numbers and the HB 2 general fund expenditures and total expenditures from all funds. Unless otherwise noted, all phone extensions are preceded by (406) 444.



HOW SERVICES ARE PROVIDED

The director acts as liaison between the Transportation Commission (commission) and the department. The commission is comprised of five members appointed by the Governor and confirmed by the Senate for four-year terms. The commission determines construction priorities, selects construction projects, awards construction contracts, and allocates funding to state, local, and national highway system projects. The commission also designates highways to be placed on the national highway system and state primary, secondary, and urban highway systems along with those in the state maintenance system.

SOURCES OF SPENDING AUTHORITY

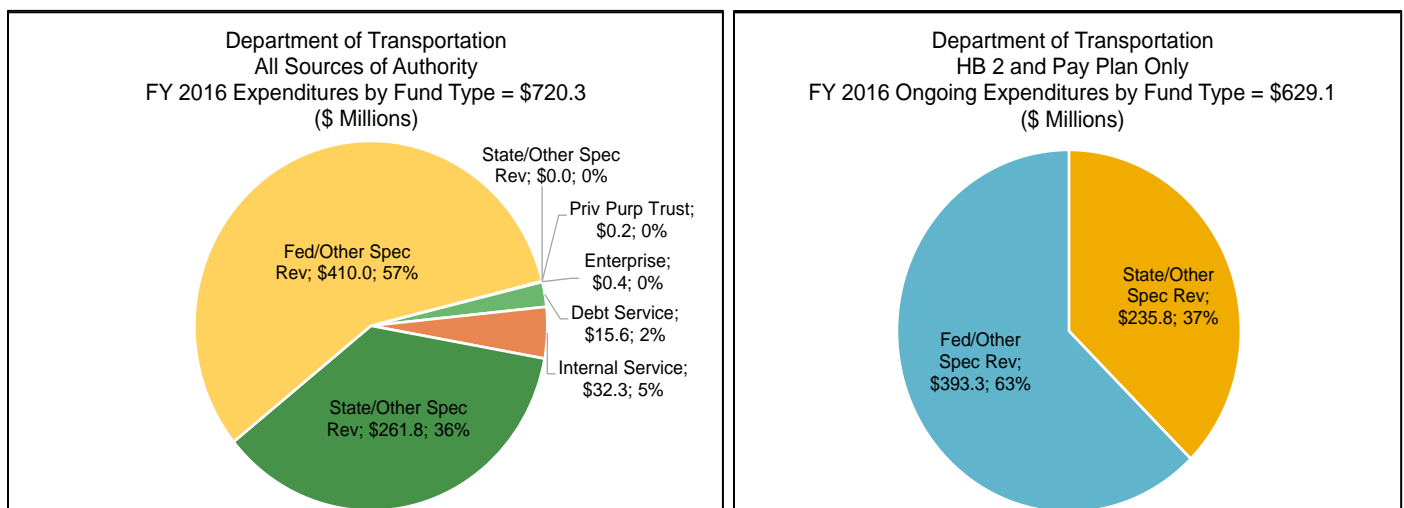


The chart above shows the FY 2016 expenditures by source of authority for the MDT. The total expenditures from the provided authority were \$720.3 million. As illustrated, the primary source of authority for MDT is HB 2 and the pay plan.

Expenditures from budget amendments is authority allowing the use of federal funds not anticipated by the 2015 Legislature. The statutory appropriations are primarily distributions of fuel taxes to local and tribal governments and the proprietary authority is the spending authority for the three MDT proprietary programs: 1) the state motor pool; 2) the MDT equipment program; and 3) the West Yellowstone Airport. Non-budgeted authority is primarily related to the annual debt service on the U.S. Highway 93 project totaling \$15.6 million, which is reimbursed by the federal highway trust fund, and Other House and Senate Bill authority is spending from the appropriations provided in the Long-Range Building Program legislation.

FUNDING

MDT is funded primarily with state and federal funds (93.3% of total funding), and the agency uses no general funds in their operations. Most of the funding is derived from state and federal fuel taxes. In



FY 2016, 93.9% of the agency state special revenue funding is from the restricted highway state special revenue account (HSRA), which receives revenues from gas and diesel taxes and federal indirect cost reimbursements.

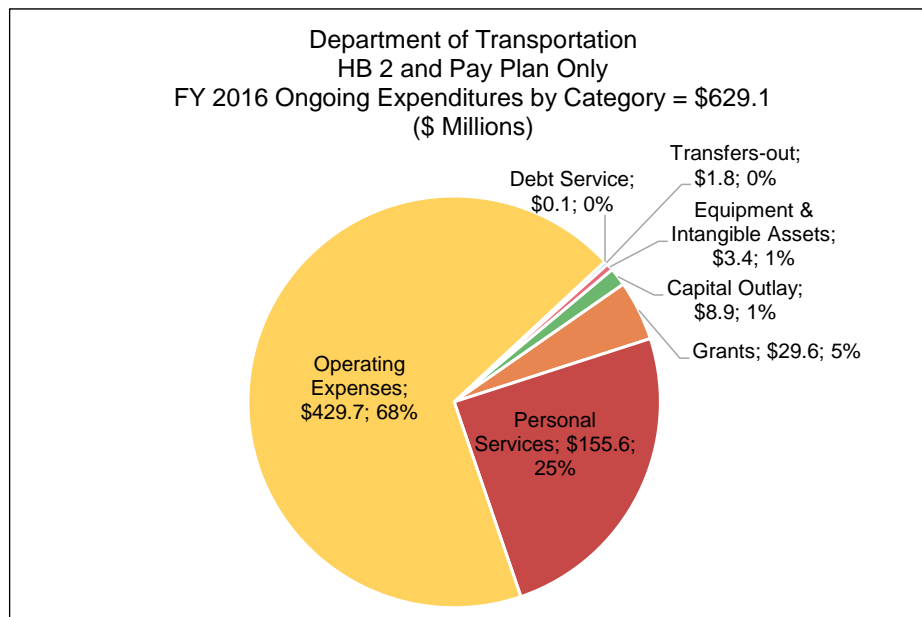
Federal funding is significantly composed of distributions from the federal highway trust, 95.1%. Two programs in MDT are funded through internal service funds, the state motor pool and the MDT equipment program. Revenues in the motor pool program are primarily collected in the rentals and leases of vehicles by state government agencies. Internal service fund revenue for the MDT equipment program is the agency cost of equipment rental imposed on itself and is paid primarily from the HSRA. Enterprise funding results from rentals at the West Yellowstone airport, which includes landing fees and facility rentals.

HB 2 expenditure funding includes only state and federal special revenue sources, which primarily consist of federal and state fuel taxes. Of the total HB 2 funding, 37% is funded with state special revenues. Of the total, 35.8% is provided through the restricted highway state special revenue account, which is restricted by the Montana Constitution for the following uses:

- Payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges
- Payment of county, city, and town obligations on streets, roads, and bridges
- Enforcement of highway safety, driver education, tourist promotion, and administrative collection costs
- The revenue from this fund may be appropriated for other purposes by a three-fifths vote of the members of each house of the legislature

EXPENDITURES

The next chart explains how the HB 2 authority is spent. MDT has one of the largest state agency budgets, and most of the budget is directed to the construction and maintenance of the state's roadways. In FY 2016, the agency estimates that \$416.1 million, or 66.1% of the HB 2 budget was expended on road and highway construction (all phases, engineering through construction).



- The personal services expenditures supported the MDT workforce of over 2000 FTE, where more than 25% of the workforce are blue collar workers in the maintenance program

- Of the \$429.7 million (70.7% federal funds) in operating expenses, \$407.5 million (94.8%) were expended through the Construction and Maintenance Programs. These expenditures supported highway contractor payments and highway construction and maintenance costs
- \$29.6 million of grant funds were distributed to local governments for city and county transportation projects
- \$1.8 million of transfers-out are primarily pass-thru grants funded by the National Highway Traffic Safety Administration for traffic safety programs

HOW THE 2017 LEGISLATURE CAN EFFECT CHANGE

If the legislature decides to change MDT expenditures, it must focus on the factors that drive those costs. For example, what determines the level of highway maintenance expenditures, and what range of policy choices does the legislature have if it wishes to change the level of highway maintenance expenditures? The following lists the primary factors influencing the costs for the agency. Please note that the list may not be fully inclusive.

- Miles of state and federal highways in the system
- Condition of highway and road surfaces
- Number of roads and other transportation facilities maintained by the state
- Acceptable levels of snow/ice cover
- Distance between and service condition of rest areas
- Traffic congestion/flow
- Transportation system safety expectations
- Highway user services

Major Cost Drivers

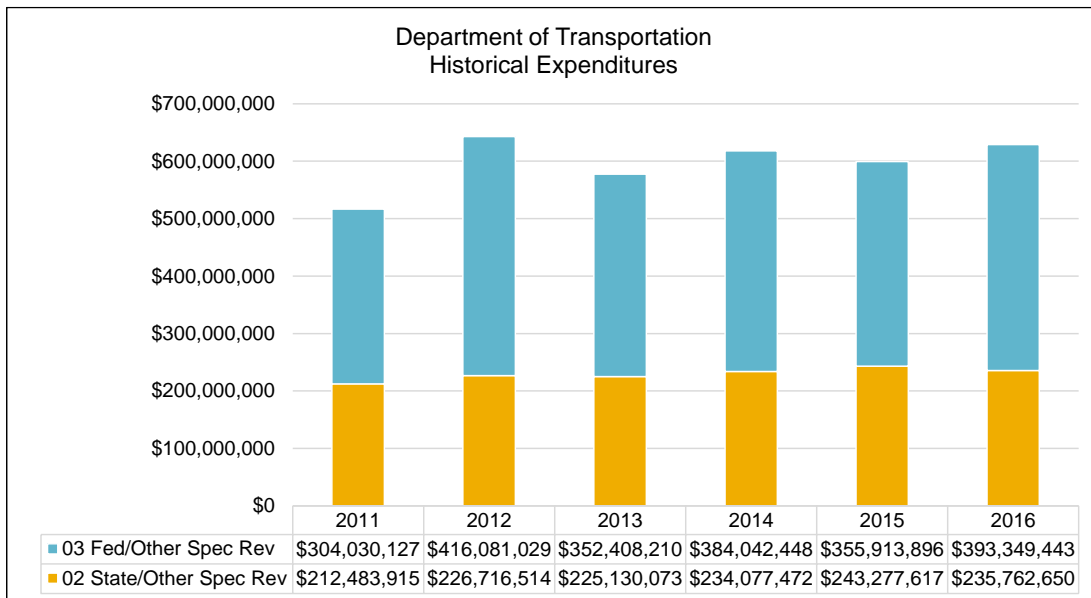
<i>Driver</i>	<i>2006</i>	<i>2016</i>	<i>Significance of Data</i>
Total lane miles – State Maintained	24,744	25,122	Shows amount of roads supported by state tax base and the ever increasing span of MDT responsibility.
Pavement area for on-system/state highway routes	375,575	386,672	As the lane miles have increased, so has the amount of paved area on Montana roadways. The increased pavement area still requires regular maintenance (i.e. crack seal, chip seal, plowing, etc.)
Annual Vehicle Miles of Travel – State Maintained	8.6 billion	9.3 billion	As the number of annual vehicle miles traveled increases, the increased wear & tear on Montana highways results in an increase in the costs of maintaining those highways.
Construction Cost Index	136.29	165.85	Rising costs of constructing Montana highways increases the needs for funding
Structurally deficient bridges on interstate highways (% of deck area)	(2010) 4.1%	(2015) 8.4%	Costs for the bridge bureau will decline as bridges are improved and removed from the deficiency rating
Structurally deficient bridges on non-interstate highways (% of deck area)	(2010) 10.0%	(2015) 4.9%	Costs for the bridge bureau will decline as fewer bridges are improved and removed from the deficiency rating

The table above provides some cost drivers that impact the operating costs of MDT. Other factors include the amount of federal funding available for highway work and the amount of fuel taxes collected in Montana in any given year. The data included in the table shows the changes in the cost drivers over a ten year period unless otherwise noted.

FUNDING/EXPENDITURE HISTORY, AUTHORITY USED TO ESTABLISH THE BASE BUDGET

The table below shows historical changes in MDT's base budget authority. Major reasons for change are:

- 2011 through 2016 total expenditures have increased at an annual rate of 4.0%, primarily driven by the increases in federal funding
- State funded expenditures have increased on average by 2.1% and federal by 5.3%
- The increase of federal funding seen in FY 2012 is primarily related to the closeout of ARRA projects
- The state continues to benefit from high federal highway dollars, where Montana is estimated to receive \$2.20 of federal funding for highways for every \$1.00 of fuel taxes collected in the state and sent to the federal highway trust fund



Major Legislative Changes in the Last Ten Years

- N/A

For more information, please visit the agency's website, here: <https://www.mdt.mt.gov/>.